

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Public Inquiry on the Methodology to
Estimate the Value of the Postal Service
Letter and Mailbox Monopolies

Docket No. PI2020-1

CHAIRMAN'S INFORMATION REQUEST NO. 6

(Issued May 18, 2021)

To further assist the Commission in its public inquiry concerning potential methodological changes to the computation of the estimated values of both the combined letter and mailbox monopolies and the mailbox monopoly alone (collectively the postal monopoly),¹ the Postal Service is requested to provide written responses to the following questions. The responses and data requests should be provided as soon as possible, but no later than June 1, 2021.

1. In its Response to CHIR No. 3, the Postal Service states that it “could provide an annual [Rural Mail Count (RMC)] RMC dataset for use in the postal monopoly valuation model. The updated RMC dataset should hopefully be available by the end of the second quarter of each fiscal year.”² Please provide the most current updated RMC file.³

¹ Notice and Order Providing an Opportunity to Comment, October 1, 2019 (Order No. 5260).

² Responses of the United States Postal Service to Questions 1-9 of Chairman's Information Request No. 3, March 19, 2020, question 2 (Response to CHIR No. 3).

³ This updated RMC file would include rural route changes and additional rural mail counts added after February 2018 and since the Postal Service's last updated RMC file was provided in Library Reference USPS-PI2020-1-NP3, May 11, 2020. See Responses of the United States Postal Service to Questions 1-4 of Chairman's Information Request No. 4, May 11, 2020, question 1 (Response to CHIR No. 4). The updated RMC dataset includes rural mail counts conducted after the March 2018 RMC provided in Docket No. ACR2018, Library Reference USPS-FY18-40, December 28, 2018, DATA file “FY2018.March.RMCFlat.DATA.” See Docket No. ACR2019, Responses of the United States Postal Service to Questions 1-41 of Chairman's Information Request No. 4, January 24, 2020, question 21.

- a. Please include the same variables on the most current updated RMC file as those provided in the Library Reference USPS-PI2020-1-NP3 RMC dataset and described in the Response to CHIR No. 4, question 1.
 - b. Please specify completely any adjustments and aggregations applied to the updated RMC dataset.⁴
 - c. Please provide a similar table and description of the updated rural routes as that provided with the Response to CHIR No. 3, question 1.a.
 - d. If the most current updated RMC dataset is not yet available, please provide a status report and a schedule as to the availability of the updated RMC dataset.
2. Under the current postal monopoly model methodology, the City Carrier Cost System (CCCS) route-days are evaluated to determine whether the entrant can profitably deliver the contestable volumes on the city route.⁵ In a 2017 methodology change to computing the CCCS, the Postal Service replaced the delivery point sequence (DPS) manual mail sampling for the route-day with a sampling method that evaluates a sample of digital images from Delivery Barcode sequence second pass operations within a ZIP Code.⁶ This new methodology creates issues related to calculating the profitability for DPS mail on city carrier routes in the current estimation methodology. Order No. 5260 at 4-5.

⁴ See Responses of the United States Postal Service to Questions 1-2 to Chairman's Information Request No. 5, October 19, 2020 (Response to CHIR No. 5); see also Library Reference USPS-PI2020-1-NP4, October 19, 2020.

⁵ Postal Regulatory Commission, *Report on Universal Postal Service and the Postal Monopoly*, December 19, 2008 (Report). See Report, folder "Appendices.zip," folder "USO Appendices," PDF file "Appendix F Section 4.pdf," *Quantitative Analysis of the Value of the Postal and Mailbox Monopolies*, Robert H. Cohen, at 9 (Analysis of Postal and Mailbox Monopolies), available at https://www.prc.gov/prc-reports?keys=USO&field_report_type_value=All&=Apply. The current estimation methodology uses the delivery volumes on all evaluated rural routes and uses a sample of city routes in the CCCS to estimate all city routes delivered volumes. See Report; see also Analysis of Postal and Mailbox Monopolies at 9.

⁶ See Docket No. RM2017-3, Order on Analytical Principals Used In Periodic Reporting (Proposal Nine), December 15, 2017 (Order No. 4278).

In its Response to CHIR No. 4, the Postal Service provided the FY 2019 total DPS mail volume for each CCCS sampled-route day and the Commission was able to adapt it into its methodology to develop the FY 2019 postal monopoly estimates.⁷

- a. Please provide, for each of the FY 2020 manual sample CCCS route-days, the test identifier and the associated DPS mail volume for the route test day.
 - b. Please describe and specify the reasons if DPS mail volume is missing for the route test day provided in response to sub-part a. of this question.
3. Under the current methodology, the postal monopoly valuation model uses delivered volumes by shape from the RMC. These are then converted to product volumes using conversion factors or distribution keys from the Rural Carrier Cost System (RCCS). The model calculates whether the revenue from the contestable volume on the route covers the entrant's costs. Analysis of Postal and Mailbox Monopolies at 9. The following questions relate to differences in the RCCS DPS mail proportions and coefficients of variation between FY 2019 and FY 2020 in the Postal Service's annual compliance report filings.⁸ Please refer to Table 1.

⁷ The FY 2019 CCCS sampled route-day DPS volume total was provided in Library Reference USPS-PI2020-1/NP3; Response to CHIR No. 4, question 4.

⁸ See Docket No. ACR2019, Library Reference USPS-FY19-35, Excel file "RCCS_CVs_FY19_Public_Final.xlsx;" Docket No. ACR2020, Library Reference USPS-FY20-35, December 29, 2020, Excel file RCCS_CVs_FY20_PUBLIC_FINAL.xlsx."

**Table 1: Postal Service FY 2019 and FY 2020 RCCS
Estimated DPS Mail Proportions and CVs**

RCCS Estimated DPS Mail ^a	FY 2019 Docket No. ACR2019 ^b			FY 2020 Docket No. ACR2020 ^c	
	Proportion	CV		Proportion	CV
Postal Service					
FIRST-CLASS MAIL	0.4721	0.46%		0.7327	0.69%
SINGLE-PIECE LETTERS	0.1123	0.96%		0.4226	1.53%
SINGLE-PIECE CARDS	0.0046	2.19%		0.0149	2.56%
PRESORT LETTERS	0.3367	0.78%		0.2177	1.99%
PRESORT CARDS	0.0186	1.13%		0.0775	2.10%
MARKETING MAIL	0.5252	0.41%		0.2653	1.90%
HIGH DENSITY & SATURATION LETTERS	0.0627	1.54%		0.0218	8.98%
CARRIER ROUTE	0.0005	13.13%		0.0004	41.69%
LETTERS	0.4620	0.69%		0.2431	1.84%
^a Market Dominant Products, DPS figures include Sector Segment mail, the sum of the proportions does not equal one (100 percent) as not all product-types are shown in the table or specific on the public files listed below. ^b Docket No. ACR2019, Library Reference USPS-FY19-35, Excel file "RCCS_CVs_FY19_Public_Final.xlsx." ^c Docket No. ACR2020, Library Reference USPS-FY20-35, Excel file RCCS_CVs_FY20_PUBLIC_FINAL.xlsx."					

- a. Please describe the reason(s) for the increase in the DPS mail total First-Class proportion from 0.4721 in FY 2019, to 0.7327 in FY 2020. Please specify the reason(s) for the increase by First-Class mail product-type in Table 1.
- b. Please describe the reason(s) for the decrease in the DPS mail First-Class Presort Letters proportion from 0.3367 in FY 2019, to 0.2177 in FY 2020.
- c. Please describe the reason(s) for the decrease in the DPS mail total Marketing Mail proportion from 0.5252 in FY 2019, to 0.2653 in FY 2020. Please specify the reason(s) for the increase by Marketing Mail product-type in Table 1.
- d. Please describe the reason(s) for the increase in all CVs for the DPS mail proportions in Table 1 between FY 2019 and FY 2020.

4. Under the current methodology, the Commission develops RMC product distribution keys from the RCCS estimated mail product volumes.⁹ Typically, the Commission developed distribution keys (using the RCCS estimated mail products by shape volumes) align with the proportions shown in the Postal Service's RCCS mail proportions in its ACR filing.¹⁰ However, for FY 2020, the Postal Service's RCCS DPS mail product-type proportions do not align with the Commission calculated RCCS DPS mail product-type proportions (using the RCCS estimated DPS product-type volumes).¹¹ Table 2 illustrates the Commission calculated DPS mail product-type proportions using the estimated RCCS mail product type volume for DPS mail.

⁹ The RMC dataset contains rural carrier delivered mail volumes by shape (not by mail product type). The RCCS has both shape (DPS is treated as a "shape" as it corresponds to a rural carrier mail volume count category) and mail product type information and the Commission develops product-specific proportions by shape (using the RCCS estimated product-shape volumes) to distribute the RMC shape volumes to the products.

¹⁰ Compare Table 1 FY 2019 proportions, with Table 2 FY 2019 proportions.

¹¹ Compare Table 1 FY 2020 proportions, with Table 2 FY 2020 proportions.

Table 2: Commission Analysis: FY 2019 and FY 2020 RCCS DPS Mail Proportions, Calculated Using RCCS Estimated Product-Type Volume

RCCS Estimated DPS Mail^a	FY 2019 Docket No. ACR2019^b		FY 2020 Docket No. ACR2020^c	
<i>Commission Calculated</i>	Volume (000)	Proportion ^d	Volume (000)	Proportion ^e
FIRST-CLASS MAIL	14,494,325	0.4723	14,488,476	0.5083
SINGLE-PIECE LETTERS	3,446,156	0.1123	3,319,952	0.1165
SINGLE-PIECE CARDS	140,994	0.0046	123,968	0.0043
PRESORT LETTERS	10,336,111	0.3368	10,750,765	0.3772
PRESORT CARDS	571,065	0.0186	293,790	0.0103
MARKETING MAIL	16,122,336	0.5254	13,908,336	0.4880
HIGH DENSITY & SATURATION LETTERS	1,925,167	0.0627	1,763,482	0.0619
CARRIER ROUTE LETTERS	13,504	0.0004	11,005	0.0004
	14,183,665	0.4622	12,133,849	0.4257
^a Market Dominant Products, DPS figures include Sector Segment mail, the sum of the proportions does not equal one (100 percent) as not all product-types are shown in the table or specific on the public files listed below. ^b Docket No. ACR2019, Library Reference USPS-FY19-35, DATA file "RURAL.FY2019_PUBLIC.MCODE.DATA" ^c Docket No. ACR2020, Library Reference USPS-FY20-35, DATA file "RURAL.FY2020_PUBLIC.MCODE.DATA" ^d The FY 2019 proportion was calculated as the FY 2019 volume shown in Table 2 divided by the sum (in thousands) of the DPS mail volume (30,685,804) identified in the public data source listed in note b of Table 2. ^e The FY 2020 proportion was calculated as the FY 2020 volume shown in Table 2 divided by the sum (in thousands) of the DPS mail volume (28,502,616) identified in the public data source listed in note c of Table 2.				

- a. Please discuss, for both FY 2019 and FY 2020, whether the Postal Service believes the unadjusted RCCS estimated DPS mail product-type volumes and Commission calculated proportions shown in Table 2 are accurate to use as a product distribution key for the RMC DPS/Sector Segment volume.
 - b. If the Postal Service believes that the Table 2 unadjusted volumes and proportions are accurate to use as a distribution key for the RMC DPS/Sector Segment mail volume, please discuss the reason for the different proportions used in FY 2020 as shown in Table 1.
5. In its Response to CHIR No. 1 and CHIR No. 4, the Postal Service confirmed that the DPS mail volume total is available for the same route-days currently sampled

in the manual CCCS.¹² Please confirm that the DPS mail volume total will continue to be available for the same route-days sampled in the manual CCCS for FY 2021 and after, if the Commission approves Proposal One in Docket RM2021-3.¹³

6. The Postal Service provided the FY 2019 CCCS and RCCS manual and digital datasets with additional variables in its Response to CHIR No. 3.¹⁴
 - a. Please provide the FY 2020 CCCS manual and digital datasets with the same additional variables, including the unencrypted ZIP Code.
 - b. Please provide the number of city routes in each ZIP Code for both the manual and digital FY 2020 CCCS datasets.
 - c. Please provide the FY 2020 RCCS manual and digital SAS datasets with the same additional variables (including the unencrypted ZIP Code) provided for the CCCS manual and digital SAS datasets.
 - d. Please provide the number of rural routes in each ZIP Code for both the manual and digital FY 2020 RCCS datasets.

By the Chairman.

Michael Kubayanda

¹² Responses of the United States Postal Service to Questions 1-5 of Chairman's Information Request No. 1, October 17, 2019, question 5 (Response to CHIR No. 1); Response to CHIR No. 4, question 4. Under the current postal monopoly model methodology, the CCCS route-days are evaluated to determine whether the entrant can profitably deliver the contestable volumes on the city route. See Report; Analysis of Postal and Mailbox Monopolies at 9.

¹³ Docket RM2021-3, Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal One), March 11, 2021 (Petition). The Proposal One methodology includes a 50 percent reduction in the ODIS-RPW digital sample. See Docket No. RM2021-3, Petition, Proposal One at 17. The Postal Service states that the DPS volume "End-of Run (EOR) counts from the DBCS sorters are compiled and transmitted to the . . . EDW partition for Network Operations Data Mart (NODM). Note that CCCS-Digital now obtains EOR data from EDW/NODM, rather than from DOIS. This was done in conjunction with the introduction of RCCS-Digital. . . ." Response to CHIR No. 4, question 4.

¹⁴ Response to CHIR No. 3, question 5; Library Reference USPS-PI2020-1-NP2.